

The necessary predicate ... is that the agency has alerted interested parties to the possibility of the agency's adopting a rule different than the one proposed."<sup>39</sup>

Here, the Commission's proposed rule described transitioning CETC support to the CAF by reducing the interim cap on CETC support in five equal installments, with the initial 20 percent reduction to occur in 2012.<sup>40</sup> Further, the Commission sought comments regarding the creation of a waiver process, including "any information that would permit the Commission to identify any areas in which consumers would not have access to mobile service as a result of a uniform transition of [CETC] funding to the CAF."<sup>41</sup> No mention was made of a baseline support amount or specific cap amount that would be implemented.

In the *USF/ICC Transformation Order*, the Commission adopted a "baseline support amount," capped annually at \$3,000 per reported line.<sup>42</sup> The proposed rule lacked even a hint of the cap and, as a consequence, the Commission failed to meet the "logical outgrowth" standard for its final rule. More specifically, here, the Commission's rulemaking process did not "alert interested parties," such as WCC, of the possibility that it may adopt such a rule, especially one that could put those in very unique circumstances out of business in just a few months. Thus, because the Commission failed to provide adequate notice, implementation of the service-ending

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<sup>39</sup> *Sprint Corp. v. FCC*, 315 F.3d 369, 375-76 (D.C. Cir. 2003) (internal quotations omitted).

<sup>40</sup> *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, FCC 11-13, 26 FCC Rcd 4554, ¶ 248 (2011) ("Proposed Rule").

<sup>41</sup> *Id.*, ¶¶ 250-54.

<sup>42</sup> *USF/ICC Transformation Order*, ¶ 515.

\$3,000 cap does not pass muster under the APA's notice and comment requirements.<sup>43</sup> Granting WCC's request for waiver will rectify the lack of notice.

**B. By Failing To Consider Relevant Factors During Its Rulemaking, the Commission Acted In a Manner That is Arbitrary and Capricious In Applying the \$3,000 Cap To High-Cost Entities Serving Remote Areas, Such As WCC.**

It is a longstanding tenet of administrative law that an agency must consider all the "relevant factors" when taking action to avoid a court finding that it has acted in a manner that is "arbitrary and capricious," under Section 706(2)(A) of the APA. For example, in the seminal *Citizens to Preserve Overton Park v. Volpe* case,<sup>44</sup> the Supreme Court held that in addition to examining an agency's statutory authority, a reviewing court must consider "whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment."<sup>45</sup> Further, in *Florida Power & Light Co. v. Lorion*, the Court held that an agency action should typically be remanded, if the "agency has not considered all relevant factors."<sup>46</sup>

Here, the Commission undoubtedly invested significant time and resources in developing the \$3,000 cap. However, for the reasons described above, it is unfathomable that it was the Commission's intent to put carriers such as WCC that serve remote, high-cost areas out of business (*See* Section II herein) or to create new unserved areas. Under these circumstances, it is reasonable to conclude that the Commission simply did not take into account or was not aware of

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<sup>43</sup> 5 U.S.C. § 553(b).

<sup>44</sup> 401 U.S. 402 (1971).

<sup>45</sup> *Id.* at 416.

<sup>46</sup> 470 U.S. 729, 744 (1985).

certain relevant factors, specifically the facts and circumstances leading to the extreme and immediate impact on very unique carriers, like WCC, when developing the cap.

This apparent failure to consider all the relevant factors associated with setting the \$3,000 cap means that the Commission's action may be deemed arbitrary and capricious under Section 706(2)(A) of the APA. Conversely, the Commission's utilization of a waiver process, as requested here, can address the unique situation presented by Adak and avoid a potentially time-consuming and costly remand.

**C. As Applied To WCC, the \$3,000 Cap Violates Principles of Fairness and Due Process.**

The immediate and high impact imposition of the cap violates principles of fairness and due process in the case of WCC and Adak. In its proposed rule, the Commission described a 20% annual decrease in funding over five years. But when the rule was finalized, WCC was hit with an immediate 84% decrease in support. This material and unexpected change in the transition plan is patently unfair and violates traditional principles of due process, especially for a small organization of limited resources that is serving a remote and insular Alaska community. As described above, WCC has played by the rules, provides valuable service to the entire Adak community, built and provided communications service as required by the RCA and the FCC, and met its obligations under the pertinent federal and state regulations.

WCC understands the need to reconsider its strategies in light of a changing universal service support picture, but WCC and its customers on a remote Alaskan island now stand at the brink of disaster. With forethought and wisdom, the Commission anticipated such extreme circumstances and provided for a fair resolution through individual waivers. WCC's dire situation is just the type anticipated by the Commission. Granting WCC's request for a waiver will avoid an unfair and inequitable result – the stated intent and purpose for such waivers.

## V. REQUESTED RELIEF

Waiver is justified in this case because, as the *USF/ICC Order* provides, WCC “can demonstrate that the reduction in existing high-cost support would put consumers at risk of losing voice service, with no alternative terrestrial providers available to provide voice telephony.”<sup>47</sup> Without question, imposition of Section 54.307(e) under these circumstances will create new unserved areas and roaming service gaps, will impose a hardship on WCC and the population of Adak Island, and will cause an end result that is at odds with the Commission's universal service and wireless goals to make more mobile wireless service available, especially in remote areas, for the general population and for public safety.

### A. WCC Is Entitled to Expedited Review.

The Commission created an expedited waiver program to address WCC’s particular situation in which a specific reform has “a disproportionate or inequitable impact” on a carrier serving Alaska.”<sup>48</sup> Because WCC has very significant fixed costs associated with the need for extensive investment to provide modern telecommunications to the remote area of Adak, there is no amount of cost cutting that can bring costs in line with the drastic revenue reduction from the FCC’s reforms. Moreover, customers cannot be expected to pay the extreme rates that would be required to make up the shortfall. The cost to each customer of the wireless voice and data service offered by WCC would have to increase by \$885 per month just to cover WCC’s operating expenses. This is prohibitive. The harm to WCC caused by the annual cap is exacerbated by the fact that the Commission did not provide for a delay or gradual transition in its implementation, as it did for other reforms. As already mentioned, WCC’s disbursement

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<sup>47</sup> *USF/ICC Transformation Order*, ¶ 32.

<sup>48</sup> *Id.*, ¶ 508

declined by 84 percent (from \$136,344 in December 2011 to \$22,356 in January 2012) the first month after the annual cap took effect. As a result, without a waiver, WCC anticipates that its wireless service on Adak will shut down within the next six months. It is urgent that this waiver request be resolved expeditiously.

**B. Granting a Waiver That is Limited in Time and Support Level Will Allow WCC to Continue Service During the Transition and Is Consistent With Commission Objectives.**

WCC has ceased its efforts to provide a more reliable service due to the changed regulatory landscape, and it will no longer construct an additional cell site at Clam Lagoon to provide network redundancy and mitigate signal degradation caused by the notoriously harsh weather of the Adak area. However, more critically, the massive and immediate reduction in monthly support will force current operations to cease altogether. Without grant of a limited waiver, all of WCC's efforts to build and maintain a modern wireless telecommunications system in the remote and insular Adak area will come to a grinding halt and substantial portions of the Adak area will become unserved. Furthermore, if WCC is forced to cease operations, a tremendous amount of resources and investment dollars will be wasted. WCC has consistently made substantial investments to increase redundancy and expand coverage in the Adak area. WCC's second cell site, White Alice, which has been operational for only a few months, was built at substantial cost to achieve these long-term goals. Yet, without a waiver, this just-built site, along with all of WCC's other investments made to increase consumer access and service in Adak, will become unused and wasted.

As noted, WCC is requesting a waiver that is limited in two respects. First, it seeks waiver of the cap only until the Commission transitions to the Connect America Fund ("CAF") programs so that it can remain operational at current levels. Specifically, WCC only needs some

portion of the USF support it was previously receiving until Phase II Mobility Funds are disbursed, not indefinitely.

Second, WCC understands the Commission's desire to move away from the identical support rule and is therefore not seeking a waiver to allow it to receive the same the amount of USF it was previously receiving.<sup>49</sup> Furthermore, as evidenced by its work stoppage for Clam Lagoon, WCC is not looking for support above the cap "to expand deployment and service offerings to new areas."<sup>50</sup> Instead, WCC is requesting, for a limited period of time, only the amount of support that is necessary to cover its operating expenses less its revenues, to maintain the sites it already operates to provide wireless service to Adak residents, workers, and visitors, and to ensure critical services and public safety are not jeopardized. Specifically, WCC seeks support of \$880.09 per line, per month, which is approximately half of what WCC had been receiving under the identical support rule. The annual amount of support sought represents a five-year average of what WCC will need each year to receive a return on its ratebase and cover its operating expenses, depreciation expenses and taxes. In calculating this figure, WCC used a 10% return on investment as the return element in the development of the revenue requirement. From the total revenue requirement, the revenues generated from customers sales and service were used to lower the support amount necessary for WCC to stay in business.

As demonstrated by the financial forecast in Exhibits 7 and 8, this level of recovery does not allow WCC to act in any of the ways the Commission has prohibited in the USF/ICC Transformation Order, such as to over earn or store excess cash for additional plant investment. Instead, WCC is merely requesting recovery of the frozen revenue requirement until the details

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<sup>49</sup> *Id.*, ¶ 278.

<sup>50</sup> *Id.*, ¶ 523.

of Mobility Phase II funding are confirmed and WCC can determine the CAF support it will be eligible to receive under the new recovery mechanism. Significantly, this means that even if WCC is able to increase line counts, WCC will receive no more money from the Universal Service Fund.<sup>51</sup> This formula sets a predictable revenue recovery level going forward with the built-in assurance that WCC will not be earning more than is necessary to keep its business afloat and to secure the existing needed cell coverage for customers in the Adak area.

WCC hopes its effort to comply with the Commission's expectations by requesting a time-limited and support-limited waiver to maintain only the current level of service, will allow the Bureau to grant the requested waiver quickly.

## **VI. CONCLUSION**

For all the reasons stated in this Petition, the Bureau should expeditiously grant WCC's request for waiver of the annual cap for interim support for remote areas of Alaska.

An expedited waiver of the \$3,000 annual cap is necessary to ensure that WCC can continue its essential wireless operations that provide the residents, workers, and visitors of the insular, weather-challenged Adak area access to comprehensive, reliable voice service. Without the waiver, wireless service in Adak will be limited to the downtown area only, while the most remote areas in Adak where telecommunications service is critical - including at sea and the Aleutian Wilderness - will be without voice service altogether.

The Commission could not have intended to set back the tremendous progress that has been made with USF support to provide the people in Adak with critical voice service by imposing a cap that would force the only wireless carrier operating outside the downtown area to

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<sup>51</sup> Any increase in line count will only drive the cost per line down, not the total revenue recovery up.

go out of business. Instead, the Commission failed to consider WCC's unique situation in which its annual expenses substantially exceed \$3,000 per line due to the unavoidably high operating costs of providing service in the remote, inhospitable Adak area.

As this petition demonstrates and the attached exhibits support, good cause exists and the public would be served by the Bureau's grant of WCC's requested waiver. Without the waiver, the consequences for this insular area will be devastating and inconsistent with Commission objectives: (1) WCC customers will lose service within six months with no terrestrial alternative and no roaming capabilities outside the downtown area; (2) critical services, government functions and public safety will be jeopardized; and (3) WCC will become insolvent and critical jobs in the Adak area will be lost. Moreover, the immediate imposition of the annual cap contradicts one of the Commission's guiding principles from the National Broadband Plan that new USF rules should be "phased in over time" to provide service providers and investors an opportunity to adjust. Furthermore, given the lack of notice concerning the \$3,000 cap, along with the immediate imposition of the cap, the requested waiver is necessary to ensure that the APA and principles of fairness and due process are not violated and to cure the "disproportionate or inequitable impact" the cap is already having on WCC.



By expeditiously granting a waiver that is limited in both time and level of support, the Bureau will balance the Commission's goal of reducing funding levels based on the inefficiencies in the current USF system with the needs of a carrier serving a remote, insular area in Alaska to receive support higher than the \$3,000 cap simply to stay afloat until it can access funds under Phase II of the Mobility Fund.

Respectfully submitted,  
\_\_\_\_\_/s/\_\_\_\_\_  
\_\_\_\_\_

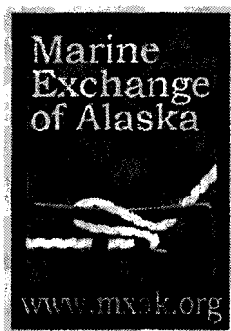
Larry Mayes, President/CEO  
Andilea Weaver, Chief Operations Officer  
WCC Cellular, LLC  
1410 Rudakof Circle  
Anchorage, Alaska 99508  
Phone: (907) 222-0844

Monica S. Desai  
Jennifer L. Richter  
Maria Wolvin  
Jennifer Cetta  
Patton Boggs LLP  
2550 M Street, NW  
Washington, DC 20037  
(202) 457-5666  
*Counsel to Windy City Cellular, LLC*

Dated: April 3, 2012

## **Letters of Support**

## **Attachment A**



*Safe, Secure, Efficient and Environmentally Responsible Maritime Operations*

1000 Harbor Way, Suite 204, Juneau, Alaska 99801

Ph: (907) 463-2607 Fax: (800) 682-2898

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March 28, 2012

Mr. Larry Mayes  
President/ CEO  
Adak Eagle Enterprises

Ms. Andilea Weaver  
Vice President/ COO

Dear Mr. Mayes and Ms. Weaver,

I'm writing to offer my support for Adak Eagle Enterprises LLC dba Adak Telephone Utility ("AEE") and Windy City Cellular LLC in obtaining a reversal of the Federal Communications Commission's "*USF/ICC Transformation Order*" that if implemented will have a serious negative impact on the community of Adak as well as on maritime safety.

The Marine Exchange of Alaska is a non-profit maritime organization that has developed a comprehensive vessel tracking network throughout Alaska to aid safe, secure, efficient and environmentally sound maritime operations. One of our most important vessel tracking AIS (Automatic Identification System) receiving sites in Alaska is located in Adak on the White Alice location. This tracking system is relied on by the Coast Guard, State of Alaska and the maritime community to aid maritime safety and emergency response. The operation of this vessel tracking that tracks vessels up to 100+ miles offshore is very dependent on the power and internet connectivity that AEE and Windy City provide. If the FCC Transformation Order is not reversed for Adak, the future of this vessel tracking system is in jeopardy as is the future of the community itself which certainly is not in the best interests of our country.

Sincerely,

A handwritten signature in black ink, appearing to be "E. Page".

Captain Edward E. Page, U.S. Coast Guard (Retired)  
Executive Director  
Marine Exchange of Alaska



March 28, 2012

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Room TW-A325  
Washington, DC 20554

The Aleut Corporation ("TAC") is a for-profit corporation with approximately 3,410 Alaska Native shareholders primarily of Aleut descent originating in the Alaska Peninsula, Aleutian Islands, Pribilof Islands, and Shumagin Islands of Alaska. TAC is one of Alaska Native Regional Corporations created under the Alaska Native Claims Settlement Act of 1971 ("ANCSA") in settlement of aboriginal land claims. It was incorporated on June 21, 1972 and is headquartered in Anchorage, Alaska.

The island of Adak has had a US military presence since 1942 and, at its peak, had a population of over 6,000 people. Adak Naval Air Station continued to be a military base during the Cold War, but was designated a Base Realignment and Closure ("BRAC") site in 1995 and closed in March 1997. In March 2004, TAC purchased Adak's land and facilities under a land transfer agreement with the Department of the Interior and the U.S. Navy/Department of Defense. TAC also owns a number of subsidiary companies that operate on Adak Island, including a fuel farm with over 20 million gallons of storage, commercial and residential properties, and the Adak Inn (Hotel).

In 2003, TAC asked three mid-size and larger telecommunication organizations to provide service on Adak, but all three organizations declined. Adak Eagle Enterprises LLC ("AEE") now provides Adak Island the modern communications services it needs in order to survive and thrive. Through its affiliate, Windy City Cellular LLC ("WCC"), mobile wireless service is available throughout the island. These services have been made possible through support from the Universal Service Fund ("USF"), and in the case of AEE, a loan from the United States Department of Agriculture Rural Utilities Service ("RUS"). All of TAC's companies rely on the telecommunications services provided by AEE and WCC.

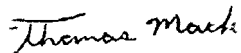
TAC is aware that the Federal Communications Commission ("FCC") adopted an Order to reform the USF rules which went into effect for all wireless carriers in January 2012 and will go into effect for all Wireline carriers in July 2012. As a result of the changes in funding levels prescribed by this Order, TAC has been informed by AEE and WCC that each company will have to stop all new projects and that it is likely that WCC will be out of business within six months and AEE will cease operations within two years unless each is granted a waiver by the FCC.

**REDACTED - FOR PUBLIC INSPECTION**

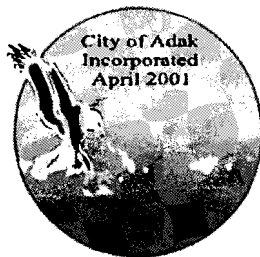
Without a waiver, the consequences of the FCC Order on AEE and WCC will be felt by nearly the entire island of Adak, including TAC and its subsidiaries, and critical government entities including the U.S. Fish and Wildlife Service, The City of Adak, the Marine Exchange (which is responsible for monitoring fishing vessels in the Bering Sea and the Pacific Ocean), the USGS Albuquerque Seismological Laboratory, and the Alaska Volcano Observatory, as well as government contractors, tourists, hunters, and fishermen. The overall safety, growth and economic development of this remote island will be jeopardized.

Adak is a very young, rural community that needs substantial help to grow in order to off-set the high cost of operating in such a remote area with extreme weather conditions. We respectfully urge the FCC to please take into consideration the unique factors involved in servicing an area like Adak and to grant the requested waivers to AEE and WCC. These waivers will allow the Adak community to continue to have access to the reliable telecommunications services that are necessary for it to grow and be safe.

Sincerely,

A handwritten signature in cursive script that reads "Thomas Mack".

Thomas Mack, President  
Aleut Corporation



## City of Adak

P.O. Box 2011 • Adak, Alaska 99546  
(907) 592-4500 • Fax: (907) 592-4262

March 27, 2012

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12<sup>th</sup> Street, SW  
Room TW-A325  
Washington, DC 20554

RE: Impact of Recent Universal Service Support in Adak, Alaska

Dear Ms. Dortch:

As the local government for the island and community of Adak, Alaska, on behalf of the City I have begun to educate myself on the changes of Universal Service Support that our community currently receives through our primary telecommunications provider, Adak Eagle Enterprises ("AEE"). As you may be familiar AEE and its affiliate Windy City Cellular ("WCC") provide local exchange, broadband and Internet services in Adak. We are concerned of the impact that recent regulatory changes by the Federal Communications Commission ("FCC") will have on the provision of telecommunications services in our community.

The City is aware that in the FCC's recent *Report and Order* issued November 18, 2011,<sup>1</sup> (referred to as the "*USF/ICC Transformation Order*"), your agency adopted rules that profoundly alter federal Universal Service Fund ("USF") support for carriers that provide telecommunications services in rural, high-cost areas of the country. As you are aware, Adak is one of the most remote, isolated, and climatically inhospitable communities in the United States. The cost of providing modern telecommunications here is commensurately high. Federal USF support has been essential to AEE's ability to provide telecommunications services and access the capital required to install modern telecommunications infrastructure in Adak. This support is critical to provide affordable, modern telecommunications services to the community. The reforms announced by the FCC in the *USF/ICC Transformation Order* will drastically reduce the amount of support the Companies will receive. Due to the extremely high costs of providing services in Adak, the effect of the FCC's new rules will be felt more strongly in the community than any other place in the nation. Unless the Companies are able to obtain waivers of the new rules or the relevant portions of the *USF/ICC Transformation Order* are reversed on appeal, we fear the Companies will not be able to continue to provide service on Adak. We expect that the Companies would collectively be driven into bankruptcy within 12 months, impacting the Rural Utilities Service ("RUS") fund by forcing default on loans extended to AEE. Furthermore, at least six (6) people on Adak Island, comprising of highly skilled individuals, will be terminated which will result in a significant hit to the local economy. This community can ill afford

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<sup>1</sup> *In the Matter of Connect America Fund*, WC Docket No. 10-90, et al., Report and Order FCC 11-161, adopted on October 27, 2011 and released on November 18, 2011.

another setback to community development and sustainability. The City and community members have fought over and over for the last five years to fix long standing issues that prevented the growth of the economy of Adak. Over the last 12 months, the City and other entities have worked together more than ever to seek opportunities to develop commerce and community sustainability yet has received more and more pressure from the federal government to overcome obstacles that seem akin to torture. Not only has the FCC, in this order, made severe changes without recognizing the needs of rural Alaska communities, Adak has faced new obstacles and challenges from the National Marine Fisheries Service, seeking to close important fisheries around Adak Island. The United States Department of Transportation is at this time also seeking to impose severe limitations to transportation services by pressuring Alaska Airlines to succumb to a lower performing airline in order to obtain what is an obscure vision of "lower cost".

Adak was originally a Naval Air Facility that closed during the Base Realignment and Closure process in 1997 and was turned over as property to the Aleut Corporation, the area's regional native corporation to develop the island and turn Adak into a community. At the time of transfer the island's basic infrastructure including but not limited the water, sewer, electrical and telecommunications systems were determined to be deficient and in severe need for upgrading. Of all these items, only the telecommunications systems have been upgraded, wholly due to AEE's ability to secure USF funding and RUS loans.

AEE was able to secure approximately \$6.2 million in loans from the United States Department of Agriculture, Rural Utility Service to fund the costs necessary for the provision of adequate and reliable local exchange service, including the establishment of a fiber optic distribution system. AEE, in obtaining these loans, properly considered anticipated USF support revenues. In good measure, RUS conditioned approval of the loans on AEE obtaining waivers to allow it to receive USF funding immediately, rather than with a two-year lag under existing historical cost rules. Therefore, not only were USF revenues considered in planning the needed replacement of facilities on Adak, the government lenders required AEE be able to immediately receive USF support as a condition of providing financing for the necessary replacement of Adak's inadequate telecommunications system. When AEE received the funding in June 2006, the company was able to construct and complete installation by November 2006, an extremely rare feat, especially in rural Alaska. This upgraded system allows for provisioning of advanced services such as 911, E-911 capability, caller ID, call waiting, call forwarding and other advanced services, including Broadband and Internet capacity.

In 2008, WCC began providing cellular telecommunications in Adak after obtaining FCC approval to complete construction and provide service. USF funding was relied upon on to construct and maintain the Downtown cellular tower, a key component of the cellular system. Last summer, WCC constructed a second cellular tower in a location that better expanded service and allowed for the start of triangulation, a key component in being able to expand public safety services in and around Adak Island. To date over \$2 million has been invested in this system without obtaining additional financing, a formidable feat to maintain a balanced leverage ratio. It is important to note that prior to WCC, no cellular service was provided on Adak and though there is another cellular provider on Adak, their service is extremely limited and is not controlled from Adak, rather Dutch Harbor, almost 400 miles away. Furthermore, it should be noted in constructing the second tower at White Alice, WCC employed 10 local people to construct the site and bring it online while also completing the installation in one construction season.

With the recent arrival of Icicle Seafoods in the community, as well as recognizing other opportunities that have begun to materialize on Adak Island, the City has acknowledged that its 911 system needs to be severally improved. The City currently relies on the AEE network to provide switching and routing capabilities to Public Safety staff in order to provide emergency services. The City has reached a point where the existing 911 system has been fully maximized and is not capable of further expansion. To the extent practical, we have sought to integrate WCC's cellular network in order to provide for E-911 services, however the City lacks the institutional knowledge of newer 911 systems.

The staff of the Companies provides above average community service to Adak. It should be noted that their dedication to the community is unparalleled in terms of personal hours and resources dedicated to those less fortunate. The Companies have helped the new City administration, to the extent practical and possible, to become efficient while integrating best telecommunications practices. In 2011, their staff consulted and assisted the City in developing a new corporate network that has allowed the City to internalize server storage, electronic mail as well as provide for secure, automatic, off-site backup in order to ensure continuity of government. They have also begun assisting the City in obtaining proper E-911 equipment in order to provide the best emergency service possible. This service is essential, especially as we are inside of an extremely active volcanic, earthquake and severe weather zone. Due to the severity, there are times the City cannot monitor certain areas of town or its facilities. We have sought to utilize the WCC network to start utilizing remote monitoring, yet efforts to stymie the operations of the Companies threatens to undermine the City's ability to efficiently deploy staff and resources.

Moreover, the City is concerned about the impact of taxpayers in and outside of Adak. While the idea of reduced government subsidies is in everyone's best interest over the long-term, the success of investments should be given a chance to be realized. Given RUS determined that the necessity of USF funding for construction of the AEE telecommunications network, one would assume that elements of the same Federal government would understand the impacts to each other before subjecting those affected to severe situations which would result in ultimate losses to the Federal government. It is reasonable to expect that RUS will not forgive the loans and the FCC will continue to mandate capital expenditures in operating telecommunications networks, yet expects firms to find areas to cut expenditures, expecting firms like the Companies to have overabundance when there is none.

AEE's business plans and financing arrangements were premised on adequate USF support based on AEE's costs. Currently, AEE receives monthly high-cost support of approximately \$1,400.00 per line. The *USF/ICC Transformation Order* adopted regulations providing for a per-line monthly cap of \$250 per line, to be implemented beginning on July 1, 2012 and phased in over a two-year period.

For WCC, the impact is even more dramatic. As a competitive wireless carrier, WCC received support under the so-call identical support rule, which provides support based on the incumbent carrier's (in this case AEE's) costs. The *USF/ICC Transformation Order* eliminates the identical support rule, to be implemented beginning (for Alaska) in two years and phased out over the five year period following. Of more immediate concern, however, is that competitive wireless carriers are subject to capped annual support of \$3,000 annually per-line (equating to \$250 per month), but with no delayed effective date and no phase-in period. Apparently, Adak is the only community in the United States affected by this rule. As a result, it has come to our attention that WCC's disbursements



Federal Communications Commission  
Impact of Recent Universal Service Support

Page 4  
March 27, 2012

for January 2012, the first month after the effective date of the *USF/ICC Transformation Order*, were only **16 percent** of the expected disbursements.

As the Companies have very significant fixed costs associated with the need for extensive investment to provide modern telecommunications to Adak, no amount of cost cutting can bring costs in line with the drastic revenue reduction from the FCC's reforms. Nor can our citizens, AEE's clients, be expected to pay the extreme rates that would be required to make up the shortfall. The City would be unable to afford the service at the extreme rates necessary under the FCC's reforms. If the FCC's reforms set forth in the *USF/ICC Transformation Order* are applied as written, as mentioned previously, the Companies could be driven to bankruptcy within 12 months.

In addition, the City is quite concerned that the order is being processed ambiguously and in selective pieces. Most concerning is that at this point there seems to be no component in funding broadband services until at least 2015. If the Companies cannot survive that long, the mission of this order will be lost on the community of not only Adak, but other communities in Alaska.

In reviewing the Regulatory Commission of Alaska's comments to the FCC, there was mention of the allowance of satellite technology for backup or backhaul capability. As the Regulatory Commission mentioned, **most** communities in Alaska, including Adak, are only able to utilize satellite technology for telecommunications outside the communities. In fact AEE has attempted to develop a regional fiber optic network that would allow for primary traffic that Adak and other communities could use to connect to other fiber networks. As recently as two years ago a proposal was made and subsequently rejected with no consideration of a partial system. If companies like AEE cannot be allowed to develop these primary alternatives, then the communities are forced to utilize satellite providers, who increasingly are raising rates and moving satellites to areas they decide will generate more profit.

In closing, we support our local Companies in their efforts to obtain waivers of the new rules. If AEE is forced into bankruptcy there is absolutely no guarantee another firm will move into Adak and provide service. When the Adak assets were previously made available to firms like General Communications, Inc. and AT&T Alascom, these carriers declined to take over service in Adak. The City is aware that this same situation is currently occurring on Shemya Island with the potential departure of AT&T Alascom. Consequently, the City is in no position to intervene and operate a telecommunications company and does not have the desire to do so. In either case, the failure of AEE or WCC would result in greater losses to taxpayers than by granting the waivers sought by the Companies.

We appreciate your consideration of our comments and thank you for your time. If you have any questions regarding our comments please feel free to contact me at (907) 592-4500.

Sincerely,



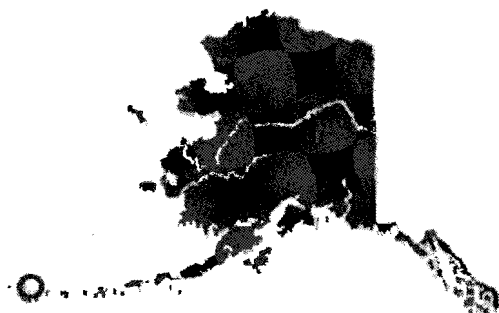
Layton J. Lockett  
City Manager  
City of Adak, Alaska

# **Density, Geographic Characteristics of Study Area**

## **Exhibit 1**

[Services](#) [Staff Directory](#)[Commerce](#)[find](#)

# Alaska Community Database Community Information Summaries (CIS)

[State of Alaska](#) > [Commerce](#) > [DCRA Home Page](#) > [Community Database Online](#) > [CIS](#) > [Results](#)

## Adak

(A-dack); formerly Adak Station

[For Photos of Adak click here](#)

**Current Population:** 331 (2011 Alaska Department of Labor Estimate)  
**Incorporation Type:** 2nd Class City  
**Located In:** Aleutians West Census Area  
**Taxes:** Sales: 4%, Property: None, Special: 5% Transient Lodging Tax

### Location and Climate

Adak is located on Kuluk Bay on Adak Island. It lies 1,300 miles southwest of Anchorage and 350 miles west of Unalaska or its port Dutch Harbor in the Aleutian Island Chain. Flight time to Anchorage is three hours. Adak is the southern-most community in Alaska, on the latitude of Vancouver Island in Canada. The community lies at approximately 51.872500° North Latitude and -176.628610° West Longitude. (Sec. 10, T096S, R195W, Seward Meridian.) Adak is located in the Aleutian Islands Recording District. The area encompasses 122.4 sq. miles of land and 4.9 sq. miles of water.

Adak lies in the maritime climate zone, characterized by persistently overcast skies, high winds, and frequent cyclonic storms. Winter squalls produce wind gusts in excess of 100 knots. During the summer, extensive fog forms over the Bering Sea and North Pacific. Average temperatures range from 20 to 60 °F. Total precipitation is 64 inches annually, with an average accumulated snowfall of 100 inches.

Topographic  
map of  
Adak  
area



### History, Culture and Demographics

The Aleutian Islands were historically occupied by the Unangas. The once heavily-populated island was eventually abandoned in the early 1800s, as the Aleutian Island hunters followed the Russian fur trade eastward, and famine set in on the Andreanof Island group. The Native population continued to actively hunt and fish around the island over the years, until World War II broke out. Adak's military installations allowed U.S. forces to mount a successful offensive against the Japanese-held islands of Kiska and Attu. After the war, Adak was developed as a Naval Air Station, playing an important role during the Cold War as a submarine surveillance center. Large earthquakes rocked the island in 1957, 1964, and 1977. The naval station officially closed on March 31, 1997. The Aleut Corporation acquired Adak's facilities under a land transfer agreement with the Department of the Interior and the U.S. Navy branch of the Department of Defense. In 2001, a community formed as a second-class city.

After World War II, the U.S. Navy developed facilities and recreation opportunities at Adak. The base was a full service base. At its peak, the station housed 6,000 naval personnel and their families. As of 2009, all of naval installations were closed. Ownership of the facilities passed to the Aleut Corporation and the City of Adak.

According to Census 2010, there were 500 housing units in the community and 44 were occupied. Its population was 5.5 percent American Indian or Alaska Native; 19.6 percent white; 4 percent black; 52.5 percent Asian; 1.5 percent Pacific Islander; 10.7 percent of the local residents had multi-racial backgrounds. Additionally, 8.9 percent of the population was of Hispanic decent.

### **Facilities, Utilities, Schools and Health Care**

Water is derived from Lake Bonnie Rose, Lake De Marie, and Nurses Creek, stored in any of the seven water tanks throughout the community, and piped to facilities and housing units. The wastewater treatment system discharges through a marine outfall line to Kuluk Bay. Husky Road landfill is a class III permitted landfill. Electricity is provided by City of Adak. There is one school located in the community, attended by 20 students. Local hospitals or health clinics include Adak Medical Clinic. Adak Medical Center is a qualified Emergency Care Center and Primary Health Care facility. The clinic is staffed by a physician's assistant and provides emergency care family practice and referral services. Lab pharmacy and public health services are available. Adak is an isolated town/sub-regional center located in the Southern EMS Region. Emergency Services have coastal and airport access to Adak. Auxiliary health care is provided by Adak Volunteer Fire Dept. (907-592-4513).

### **Economy**

Adak provides a fueling port and crew transfer facility for foreign fishing fleets, and an airport, docks, housing facilities, restaurant, grocery store, and ship supply store are available. The seafood processing facility can process more than 5,000 pounds of fish per day. In 2010, two residents held commercial fishing permits.

The 2006-2010 American Community Survey (ACS) estimated 39<sup>1</sup> residents as employed. The local unemployment rate was 2.5%<sup>1</sup>. The percentage of workers not in labor force was 9.1%<sup>1</sup>. The ACS surveys established that average median household income (in 2010 inflation-adjusted dollars) was \$75,417 (MOE +/- \$30,563)<sup>1</sup>. The per capita income (in 2010 inflation-adjusted dollars) was \$36,947 (MOE +/- \$10,869)<sup>1</sup>. About 1.7%<sup>1</sup> of all residents had incomes below the poverty level.

<sup>1</sup> All ACS statistics are published with their respective margin of error (MOE). Some of the statistics here are calculated from the original ACS data. The MOE was unable to be carried through the calculations.

**For additional ACS information please click [here](#).**

**For current Local Labor Market Information please click [here](#)**

### **Transportation**

Adak Airport is a State of Alaska owned & maintained certificated airport. It has two asphalt paved runways; one measures 7,790' long by 200' wide, and the other runway measures 7,605' by 200' wide. Alaska Airlines operates passenger and cargo jet service. There are three deep water docks and fueling facilities. In 2009, the city was in the process of expanding the Sweeper Cove small boat harbor to include new breakwaters, a 315' dock, and new moorage floats. Adak has approximately 16 miles of paved roads, as well as gravel and dirt roads.

### **Organizations with Local Offices**

**City - City of Adak**  
P.O. Box 2011  
Adak, AK 99546  
Phone 907-592-4500  
Fax 907-592-4262  
E-mail [clerk@adak-ak.gov](mailto:clerk@adak-ak.gov); [Manager@adak-ak.gov](mailto:Manager@adak-ak.gov)  
Web [www.adak-ak.us](http://www.adak-ak.us)

**Electric Utility - TDX Adak Generating LLC**  
10082 Hillside Blvd  
Adak, AK 99546  
Phone 907-592-2490  
Fax 907-592-4262  
E-mail [serviceTAG@tdxpower.com](mailto:serviceTAG@tdxpower.com)

**School District - Aleutian Region School District**  
P.O. Box 92230  
Anchorage, AK 99509

Phone 907-277-2648  
Fax 907-277-2649  
E-mail [aleutreg@aleutregion.org](mailto:aleutreg@aleutregion.org)  
Web <http://www.aleutregion.org>

### **Regional Organizations**

**School District** - Aleutian Region School District  
P.O. Box 92230  
Anchorage, AK 99509  
Phone 907-277-2648  
Fax 907-277-2649  
E-mail [aleutreg@aleutregion.org](mailto:aleutreg@aleutregion.org)  
Web <http://www.aleutregion.org>

**Regional Native Health Corporation** - Aleutian Pribilof Islands Association, Incorporated  
1131 E. International Airport Rd.  
Anchorage, AK 99518  
Phone 907-276-2700  
Fax 907-279-4351  
E-mail [apiai@api.ai](mailto:apiai@api.ai)  
Web <http://www.api.ai>

**Native Housing Authority** - Aleutian Housing Authority  
520 E. 32nd Ave  
Anchorage, AK 99503  
Phone 907-563-2146  
Fax 907-563-3105  
E-mail [dand@aleutian-housing.com](mailto:dand@aleutian-housing.com)  
Web <http://www.aleutian-housing.com/>

**Regional Development** - Southwest Alaska Municipal Conference  
3300 Arctic Blvd., Suite 203  
Anchorage, 99503  
Phone 907-562-7380  
Fax 907-562-0438  
E-mail [avarner@swamc.org](mailto:avarner@swamc.org)  
Web <http://www.swamc.org>

Services Webmaster

# Adak, Alaska

From Wikipedia, the free encyclopedia

**Adak** (ⓘ /ˈeɪdæk/), formerly **Adak Station**, is a city in the Aleutians West Census Area, Alaska, United States. At the 2010 census the population was 326. It is the westernmost municipality in the United States and the southernmost city in Alaska.<sup>[1]</sup> (See Extreme points of the United States.) The city is the former location of the Adak Army Base and Adak Naval Operating Base, NavFac Adak. There are no radio stations within 200 miles (320 km) of Adak; radio can be received in Adak only through satellite or shortwave receivers.

## Contents

- 1 Location and climate
- 2 History and culture
- 3 Demographics
- 4 Utilities, schools, and health care
- 5 Facilities, economy and transportation
- 6 Tourism
- 7 Education
- 8 References
- 9 External links

## Location and climate

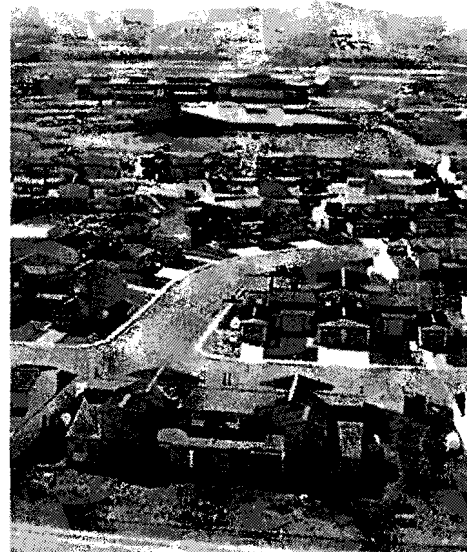
Adak is located at 51.872° North, 176.636° West (Sec. 10, T096S, R195W, Seward Meridian).<sup>[2]</sup> Adak is located in the Aleutian Islands Recording District, and the 3rd Judicial District.

According to the U.S. Census Bureau, the city has a total area of 127.3 square miles (330 km<sup>2</sup>), of which, 122.4 square miles (317 km<sup>2</sup>) of it is land and 4.9 square miles (13 km<sup>2</sup>) of it (3.87%) is water.

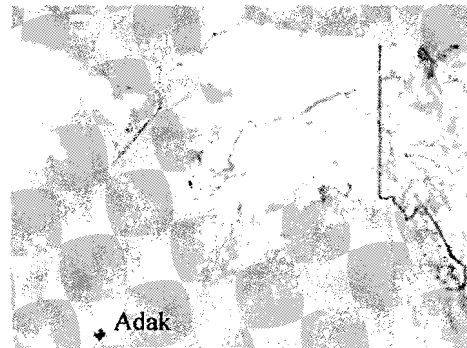
Adak is located on Kuluk Bay on Adak Island in the Andreanof Islands group of the Aleutian Islands. It lies 1,200 miles (1,930 km) southwest of Anchorage and 450 miles (724 km) west of Dutch Harbor, near the Russian end of the arc that

Adak

— CDP —



Adak



Location in Alaska

Coordinates: 51°53′0″N 176°38′42″W

<b>Country</b>	United States
<b>State</b>	Alaska
<b>Census Area</b>	Aleutians West

### Area

• <b>Total</b>	127.3 sq mi (329.7 km <sup>2</sup> )
• <b>Land</b>	122.4 sq mi (316.9 km <sup>2</sup> )
• <b>Water</b>	4.9 sq mi (12.8 km <sup>2</sup> )

makes up this volcanic island chain. Flight time to Anchorage is three hours or longer depending on weather. Adak is the southern-most community in Alaska and on the same latitude as Vancouver Island in Canada, and Brussels, Belgium.

Adak lies in the subpolar oceanic climate zone, characterized by persistently overcast skies, moderated temperatures, high winds, and frequent cyclonic storms. Winter squalls produce wind gusts in excess of 100 knots (120 mph; 190 km/h). During the summer, extensive fog forms over the Bering Sea and North Pacific. Average temperatures range from 20 to 60 °F (-7 to 16 °C), but wind chill factors can be severe. Total precipitation is 64 inches (1,600 mm) annually, with an average accumulated snowfall of 100 inches (2,500 mm), which however tends to melt soon after falling. With 263 rainy days per year, Adak has the second highest number of any inhabited locality in the United States after Hilo in Hawaii.

<b>Elevation</b>	164 ft (50 m)
<b>Population (2010)</b>	
• <b>Total</b>	326
<b>Time zone</b>	Hawaii-Aleutian (HST) (UTC-10)
• <b>Summer (DST)</b>	HDT (UTC-9)
<b>ZIP code</b>	99546
<b>Area code(s)</b>	907
<b>FIPS code</b>	02-00065

## History and culture

The Aleutian Islands were historically occupied by the Unanga, more commonly known now as the Aleuts. The once heavily-populated island was eventually abandoned in the early 19th century as the Aleutian Island hunters followed the Russian fur trade eastward, and famine set in on the Andreanof Island group. However, they continued to actively hunt and fish around the island over the years, until World War II broke out. Adak Army installations allowed U.S. forces to mount a successful offensive against the Japanese-held islands of Kiska and Attu. After the war, Adak was developed as a naval air station, playing an important role during the Cold War as a submarine surveillance center. Large earthquakes rocked the island in 1957, 1964 and 1977.

At its peak, the station housed over 6,000 naval and Coast Guard personnel and their families. In 1994, the base was downsized, and both family housing and schools were closed. The station officially closed on March 31, 1997. The Aleut Corporation purchased Adak's facilities under a land transfer agreement with the Department of the Interior and the U.S. Navy/Department of Defense. This agreement was finalized in March, 2004. About 30 families with children relocated to Adak in September 1998, most of them Aleut Corp. shareholders, and the former high school was reopened at that time as a K-12 institution. The community incorporated as a second-class city in April 2001. Substantially all of the infrastructure and facilities on Adak are owned by Aleut Corporation, who is currently developing Adak as a commercial center via their subsidiary companies. For example, properties in active use are leased by Adak Commercial Properties, LLC.

Since World War II, the U.S. Navy and Coast Guard developed facilities and recreation opportunities at Adak. At its peak, Adak had a college, a McDonalds restaurant, movie theater, roller skating rink, swimming pool, ski lodge, bowling alleys, skeet range, auto hobby shop, photo lab, and racquetball and tennis courts. A new \$18-million hospital was built in 1990, just seven years prior to the closure of the station. By March 2003, six years after the closure of the station, most of these facilities had closed. For a time, Adak became a virtual ghost town. In recent years, trespassing and vandalism have been problematic for the Aleut Corp. The harsh Aleutian wind and weather have all but destroyed the majority of facilities remaining on Adak that are not in active use.

Climate data for Adak, Alaska													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>Record high</b> °F (°C)	50 (10)	51 (11)	51 (11)	56 (13)	65 (18)	67 (19)	73 (23)	75 (24)	71 (22)	61 (16)	57 (14)	55 (13)	75 (24)
<b>Average high</b> °F (°C)	37.2 (2.9)	37.0 (2.8)	38.6 (3.7)	41.3 (5.2)	45.1 (7.3)	49.1 (9.5)	54.0 (12.2)	55.8 (13.2)	52.3 (11.3)	46.9 (8.3)	41.4 (5.2)	38.0 (3.3)	44.7 (7.1)
<b>Average low</b> °F (°C)	28.9 (−1.7)	28.5 (−1.9)	30.1 (−1.1)	32.9 (0.5)	36.6 (2.6)	40.8 (4.9)	44.7 (7.1)	46.6 (8.1)	43.6 (6.4)	38.2 (3.4)	33.0 (0.6)	29.9 (−1.2)	36.2 (2.3)
<b>Record low</b> °F (°C)	3 (−16)	3 (−16)	12 (−11)	20 (−7)	20 (−7)	29 (−2)	33 (1)	34 (1)	28 (−2)	22 (−6)	12 (−11)	8 (−13)	3 (−16)
<b>Precipitation</b> inches (mm)	6.74 (171.2)	5.43 (137.9)	6.14 (156)	4.33 (110)	4.84 (122.9)	3.34 (84.8)	2.99 (75.9)	4.30 (109.2)	5.52 (140.2)	7.00 (177.8)	7.33 (186.2)	7.66 (194.6)	65.62 (1,666.7)
<b>Snowfall</b> inches (cm)	18.1 (46)	18.4 (46.7)	20.1 (51.1)	10.0 (25.4)	1.5 (3.8)	0.0 (0)	0.0 (0)	0.0 (0)	0.1 (0.3)	1.5 (3.8)	10.4 (26.4)	19.3 (49)	99.4 (252.5)
<b>Avg. precipitation days</b> (≥ 0.01 inch)	24	22	25	22	22	17	16	19	21	25	25	25	263

Source: WRCC<sup>[3]</sup>

## Demographics

As of the census<sup>[5]</sup> of 2000, there were 316 people, 159 households, and 61 families residing in the city. The population density was 2.6 people per square mile (1.0/km<sup>2</sup>). There were 884 housing units at an average density of 7.2 per square mile (2.8/km<sup>2</sup>). The racial makeup of the city was 49.68% White, 1.27% Black or African American, 35.13% Native American, 9.81% Asian, 1.90% Pacific Islander, and 2.22% from two or more races. 5.06% of the population were Hispanic or Latino of any race.

### Historical populations

Census	Pop.	%±
<b>1970</b>	2,249	—
<b>1980</b>	3,315	47.4%
<b>1990</b>	4,633	39.8%
<b>2000</b>	316	−93.2%
<b>2010</b>	326	3.2%

There were 159 households out of which 18.2% had children under the age of 18 living with them, 28.9% were married couples living together, 2.5% had a female householder with no husband present, and 61.6% were non-families. 46.5% of all households were made up of individuals and none had someone living alone who was 65 years of age or older. The average household size was 1.99 and the average family size was 2.90.

In the city the population was spread out with 18.7% under the age of 18, 9.5% from 18 to 24, 44.3% from 25 to 44, 26.3% from 45 to 64, and 1.3% who were 65 years of age or older. The median age was 35 years. For every 100 females there were 184.7 males. For every 100 females age 18 and over, there were 188.8 males.

The median income for a household in the city was \$52,727, and the median income for a family was \$53,889. Males had a median income of \$46,429 versus \$35,000 for females. The per capita income for the city was \$31,747. About 3.3% of families and 4.7% of the population were below the poverty line, none of whom were under the age of eighteen or over the age of sixty-five.



## Utilities, schools, and health care

Water is derived from Lake Bonnie Rose, Lake De Marie, and Nurses Creek, stored in seven water tanks throughout the community, and piped to facilities and housing units. The wastewater treatment system discharges through a marine outfall line to Kuluk Bay. The permitted landfill, Roberts Landfill, is a Class 2 with balefill. Electricity is provided by TDX Adak. There is one school located in the community, attended by 18 students.

Local hospitals or health clinics include Adak Community Health Center, managed by Eastern Aleutian Tribes, Inc (EAT). The health center provides Family Medicine, Chronic Care and Acute Emergency Care services and is staffed by a physician's assistant and a community health practitioner. Behavioral Health is also provided via tele-video and quarterly site visits. EAT sends a Dentist one week per year to provide limited dental services, otherwise, dental services must be referred outside of Adak. Tele-Radiology(Xray)and Tele-Medicine are also present. Limited lab, pharmacy, and public health services are also available. The pharmacy medications are limited to acute medications. Filling of prescriptions from outside facilities can be accommodated. However, all visitors should bring plenty of their own medications as the health center stocks a very limited supply of chronic medications. Adak is classified as an isolated town/sub-regional center, located in EMS Region 2H in the Aleutian/Pribilof Region. Emergency Services have coastal and airport access to Adak. Auxiliary health care is provided by Adak Volunteer Fire Department/EMS.

## Facilities, economy and transportation

A land exchange between Aleut Corp., the U.S. Navy, and the Department of the Interior transferred most of the former naval facilities to the Aleut Corp. in March 2004. A portion of the island remains within the Alaska Maritime National Wildlife Refuge, managed by the United States Fish and Wildlife Service. The U.S. Navy retains part of the north end of Adak Island (Parcel 4) and does annual sweeps of the Andrew Lake Seawall for unexploded ordnance. Their website lists the Institutional Controls in place for all of Adak as part of the land exchange or Interim Conveyance. The Navy provides the trail maps as part of the ordnance awareness information required to be shown to all Adak residents and visitors. Adak currently provides a fueling port and crew transfer facility for a combination of Seattle and Alaskan based fishing fleet — an airport, docks, housing facilities, restaurant, grocery, and ship supply store are available. Adak Fisheries, LLC, an employer of a large seasonal staff, processes Pacific cod, pollock, mackerel, halibut, snow and king crabs. Four residents hold commercial fishing permits, primarily for groundfish. However, commercial fishing vessels based out of Seattle and other parts of Alaska provide most of the work for the fish plant by regularly offloading their catch in Adak.

Because of its naval aviation past, Adak has an unusually large and sophisticated airport for the Aleutian Islands. The airport is currently operated by the State of Alaska Department of Transportation. Complete with an Instrument Landing System, Adak Airport has no control tower and two 200' wide asphalt paved runways at 19' elevation. One runway measures 7,790' long while the other runway measures 7,605'. Alaska Airlines operates twice weekly 737-400 Combi passenger and cargo jet service from Anchorage. At present, flights operate each Sunday and Thursday (weather permitting). Occasionally, extra seasonal flights are operated to meet the demand of the fishing season. Other facilities in Adak include three deep water docks and fueling facilities. The city has requested funds to greatly expand the Sweeper Cove small boat harbor, including new breakwaters, a 315-foot (96 m) dock and new moorage floats. There are approximately 16 miles (26 km) of paved and primitive roads on Adak, all privately owned by the Aleut Corporation.